

CONFIDENTIAL

February 1951

MEMORANDUM TO GENERAL SMITH

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Attached are papers (with summaries) sent to you by Mr. [redacted]. Delay in returning these papers was occasioned by the reorganization within CIA, the reallocation of intelligence functions as between agencies and studies currently underway. These tend to prove Mr. [redacted] right in many of his contentions and correct the deficiencies of which he complains.

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Paper #I is a discussion of "CENTRALIZATION VERSUS DECENTRALIZATION AS A PRINCIPLE OF ORGANIZATION AND OPERATIONS FOR RESEARCH AND BASIC INTELLIGENCE IN RESPECT TO THE USSR AND SATELLITES." In this paper Mr. [redacted] presents a good case for centralization and I believe the new terms of references for ORR would go a long way toward satisfying him. Here is an office set up to specialize in the economic and industrial capacity of the USSR and Satellites.

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Paper #II deals with "THE U.S. EXPORT CONTROL POLICY - ITS INTELLIGENCE AND RESEARCH BASIS." This question has been studied by the Departments of State and Commerce for some years and once again is being intensively studied by the Department of State as a result of the President's letter of 28 December 1950. Here again ORR should provide useful basic intelligence on Russian economy and industry.

The "Enclosure" is an outline of an "INTELLIGENCE RESEARCH PROJECT TO IMPROVE CURRENT INFORMATION ON STRENGTHS AND WEAKNESSES OF ECONOMY OF SOVIET EMPIRE." Many of Mr. [redacted] recommendations are in fact being presently exploited:

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Processing of publications originating inside the "Soviet Empire" is currently accomplished by [redacted] and in some cases by OSI.

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ORR again plays a part.

All three of Mr. [redacted] papers appear to be different facets of the same problem. I believe most of his points are well taken and I think in most cases that corrective measures are underway.

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JL